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STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF THE CITY OF )  
EVANSVILLE, INDIANA, BY ITS WATER )  
AND SEWER UTILITY BOARD, FOR )  
AUTHORITY TO ISSUE BONDS, NOTES, )  
OR OTHER OBLIGATIONS, FOR )  
AUTHORITY TO INCREASE ITS RATES )  
AND CHARGES FOR WATER SERVICE, )  
AND FOR APPROVAL OF NEW )  
SCHEDULES OF WATER RATES, )  
CHARGES, AND RULES AND )  
REGULATIONS FOR WATER SERVICE, )  
AND FOR APPROVAL OF ACCOUNTING )  
AND RATEMAKING TREATMENT FOR )  
WATER SERVICE TO REFLECT THE )  
IMPACT OF REASONABLY FIXED, )  
KNOWN AND MEASUREABLE CAPITAL )  
REQUIREMENTS OVER THE NEXT )  
THREE CALENDAR YEARS. )

**FILED**

FEB 20 2007

INDIANA UTILITY  
REGULATORY COMMISSION

CAUSE NO. 43190

PRE-FILED DIRECT TESTIMONY OF HARRY LAWSON

PETITIONER'S EXHIBIT HL

1. Q. Please state your name and place of employment.  
A. Harry Lawson. I am the Manager of the Evansville Water and Sewer Utility in Evansville Indiana, which is the "Petitioner" in this cause.
2. Q. Please describe your educational background and identify any professional organizations in which you belong.  
A. I attended Michigan State University with a major in biology. I am a member of the American Water Works Association and the Water Environment Federation.
3. Q. What are some of the primary duties in your position with the petitioning utility?  
A. My responsibilities include some of the following: Oversight of daily operations of the utility; employee supervision; general administration; preparation and reporting of the status and condition of the utility to the City of Evansville Administration and to various other governmental agencies. I am generally the Petitioner's chief operating employee which also causes me to be the custodian of its records.
4. Q. Does the Petitioner own and operate a municipal water plant for the acquisition, treatment, distribution, service and sale of water to retail and wholesale customers?  
A. Yes. Petitioner provides water distribution, sales and service to approximately 60,000 retail customers within the City of Evansville and adjacent thereto in Vanderburgh County, Indiana. It also provides

wholesale water to a few customers for resale such as Gibson Water Company and the German Township Water District.

5. Q. Please briefly describe the Petitioner's plant and distribution facilities.

A. For its continued provision of high quality water and service to its customers, the Petitioner presently owns and operates one raw water intake accessing the Ohio River at Evansville that splits flows to the north and south trains for treatment. There is one water treatment plant with a north and south train. The system includes three groups of high service pumps and a distribution system containing nine reservoirs having storage capacity of nearly thirty (30) million gallons of water, ten (10) pumping stations, more than seven hundred miles of water mains ranging in size from one (1) inch to forty-eight (48) inches in diameter, and more than three thousand three hundred (3,300) fire protection hydrants. We also have numerous vehicles, buildings, equipment, parts, machinery, inventory, fully equipped offices, and other facilities and property used and useful in Petitioner's provision of water sales and service to the public. All of Petitioner's property is maintained in good condition and replaced, upgraded and repaired as necessary with the caveat that funds must be available.

6. Q. Does Petitioner currently have outstanding bonds issued pursuant to Commission ("IURC") authority?

A. Yes. They were issued pursuant to IURC authority by its order dated February 18, 2004, in the Petitioner's last water rate

proceeding in IURC Cause No. 42176. The funds provided by those bonds have been used as reported to the IURC and the parties to that proceeding per the Commission's order.

7. Q. Will Petitioner issue bonds pursuant to IURC authority granted in this proceeding?

A. Yes. Petitioner will need to issue bonds to finance the cost of necessary capital improvements required for its continued high quality water acquisition, treatment, distribution, sales and service to and in the interest of the public it serves. Attached and made a part of my testimony as Exhibit HL-1 is a list of some of the larger projects with those being described as either "Distribution System Improvements" or "Water Treatment Plant Improvements".

8. Q. Can you generally describe the cost of the projects and the Petitioner's plan and request for Commission authority to finance them?

A. Yes, and it will be general. Petitioner's witnesses Chris Gale, and Gary Malone, provide much better explanation and more detail than I; Chris as to the projects and Gary as to financing. My understanding is the bonds will be competitively bid open market Waterworks District Revenue Bonds (the "Bonds") having a maximum principal amount of thirty-six million dollars (\$36,000,000) at a maximum interest rate of seven percent (7.0%) with a final maturity on or before January 1, 2032, and with the Petitioner's first interest payment being no sooner than January 1, 2008,

with denominations of five thousand (\$5,000) each. My further understanding is that bond payments will be phased in over three years—i.e.—2008, 2009, and 2010 so that the impact on customer rates will not occur immediately but will be spread over that three year period via rate increases requested in the Petition as follows: A first year (2008) across the board rate increase of twelve point one (12.1%) percent; an additional increase at the commencement of year two (2009) in the amount of sixteen point eight percent (16.8%); and an additional increase in the third year (2010) of nine point six percent (9.6%) which mathematically totals a thirty-eight point five percent (38.5%) rate increase , but a cumulative rate increase of forty-three point five (43.5%) percent, which will continue beyond 2010 until changed by the IURC in accordance with its rules, regulations and Indiana law.

9. Q. You referenced the Petition... did you sign that Petition?

A. Yes, and I am sponsoring it and all of the other Exhibits attached to this direct pre-filed testimony, which includes a file marked copy of the Petition marked Exhibit HL-2

10. Q. Please briefly identify and describe the other exhibits attached to this testimony and which you also sponsor.

A. Very Well. They are as follows:

(1) Exhibit HL-3 is a certified copy of Petitioner's Board of Directors' Resolution authorizing the utility's petition for a much needed rate increase to be achieved as quickly as possible.

(2) Exhibit HL-4 is the certification of newspapers to their publications of the Notice of the filing of the Petition by Petitioner. (One will be

provided later since the Proof of Publication has not been received.)

- (3) Exhibit HL-5 is the customer notice being sent by a "mailer" to each customer (retail and wholesale) in Petitioner's billing cycle during February, 2007.
- (4) Exhibit HL-6 is the Petitioner's Board Preliminary Resolutions approving bond issuance as is further discussed and detailed in Gerald Malone's pre-filed direct testimony.

11. Q. You have referenced other witnesses. Would you please list them and their primary topics of testimony?

A. Yes. In addition to my testimony, Petitioner will present testimony of the following witnesses. This is a brief statement of their primary area of testimony which is by no means all inclusive but merely somewhat explanatory in providing an overview of Petitioner's case in chief evidence being as follows:

- (1) Witness Michael Moler (Exhibit MM) is an employee of American Water Co and Petitioner's Production Manager and certified operator, who will sponsor a copy of the contract between that company and Petitioner as an exhibit and testifies to certain books, records, numbers, calculations and other information particularly as to the timing of periodic maintenance and other periodic operating expenses such as tank painting, etc., and he supervises water treatment operations and will also testify, without limitation, on matters concerning those operations and needed improvements in operations and capital projects requiring additional funds. His Exhibit MM-2 shows periodic maintenance schedules and estimated costs.
- (2) Witness Chris Gale (Exhibit CG) is an engineer and an employee of HNTB, which company, in close communication with Petitioner, formulated the "Master Plan" for Petitioner and will sponsor that as an exhibit to his testimony, as well as providing testimony and other exhibits that update, amend or clarify or supplement the Master Plan. He also testifies as to the need and cost of projects. (Note: The Master Plan is contained in three large ring binders and only a

limited number is being filed but more will be provided upon request).

- (3) Witness Gerald Malone (Exhibit GGM) is a CPA and Managing Partner of Umbaugh, an Indianapolis based accounting firm experienced in rate proceedings before the IURC. He will testify and provide exhibits and other information detailing, describing, explaining, sponsoring and supporting the accounting and financial information, proposals and request—including, without limitation, the required bonds and proposed timing for their issuance and payment by Petitioner so as to ameliorate their rate impact by a three-year phase-in process, and he testifies to all other accounting and financial/ rate making questions or issues that are presented by Petitioner's evidence.

12. Q: Will you further explain the attached exhibits?

A: Yes. Taking them in numerical order my brief explanation, keeping in mind that most of these exhibits will also be addressed and supported by the testimony of other witnesses, is as follows:

- (1) Exhibit HL-1 is comprised of a list of the large capital improvement projects that require financing Petitioner expects to obtain by the authorized issuance of bonds in the approximate amount of thirty-six million dollars (\$36,000,000). City urgently requires an order of the Commission in this proceeding which grants the City its requested and necessary authority to issue the bonds and adjust its rates upward to pay for those bonds, together with the other relief requested by Petitioner. Several of the projects requiring financing which is beyond Petitioner's fiscal ability to accomplish are required by the state of Indiana or the Federal Government such as the most recent Indiana Department of Transportation Diamond Avenue Project which requires Petitioner to expend more than four million dollars to accommodate that agency's projects which are for the good of the City and its inhabitants including Petitioner's customers.. There are also new, demanding environmental regulations affecting water treatment and other aspects of Petitioner's business which are enforced by the Environmental Protection Agency and the Indiana Department of Environmental Management that require or envision significant capital improvements in Petitioner's plant and facilities. Synopsized my overview of the more expensive projects is:

## DISTRIBUTION SYSTEM IMPROVEMENTS

- (a) The new elevated storage tank in Killian Pressure Zone.

This project has an engineering estimated cost of two million six hundred thousand dollars (\$2,600,000). It will provide additional water storage in the Killian Pressure Zone allowing maintenance of the existing Tank, and this project is expected to be completed by the second quarter of 2009.

- (b) The Veterans Memorial Water Main Replacement which is in the downtown area where the main is very old and requires replacement. The engineering estimated cost is two million one hundred thousand dollars (\$2,100,000) and as yet has no fixed completion date.

- (c) Water main improvements required by INDOT road projects (with the recent INDOT Diamond Avenue Project being an addition) essentially to move and replace water distribution facilities to accommodate new highways and other facilities, which cost excluding the Diamond Avenue Project is engineering estimated to be three million dollars (\$3,000,000) with the Petitioner presently averaging completion of these improvements at the rate of approximately one mile per year although the Diamond Avenue Project will accelerate that progress.

## WATER TREATMENT PLANT IMPROVEMENTS:

- (a) Recondition North Plant flocculation tanks including baffles, mixers & sluice gates and primary sedimentation basin sludge scrapers at an engineering estimated cost of one million five hundred thousand dollars (\$1,500,000) with this project scheduled to be completed by the fourth quarter of 2009.
- (b) Add a third set of South Plant (train) Primary and Secondary Basins at an engineering cost estimate of six million dollars (\$6,000,000) to increase the flow capacity of the South Plant and assist with flow balancing between the North and South Plants with the project scheduled to be completed by the second quarter of 2009.

- (c) Add filters 35 and 36 (6MGD conventional media filters) at an engineering estimated cost of three million six hundred thousand dollars (\$3,600,000) to increase the firm filtration capacity to 60 MGD, with the project scheduled to be completed by the first quarter of 2009.

Obviously, there are numerous other smaller projects listed on the Exhibit HL-1 which can be further detailed upon request. The Exhibit was prepared by HNTB at Petitioner's request and with my input and oversight; however, it will be more fully addressed by witness, Chris Gale of HNTB.

13. Q. What are Exhibits HL-3 through HL-6 (both numbers inclusive)?
- A: My understanding is they provide documents evidencing Petitioner's compliance with required regulatory procedures, those exhibits being self-explanatory.
14. Q. Are you familiar with witness Chris Gale's testimony and exhibits pertaining to the present engineering cost estimates of the projects?
- A. Yes. He provides a detailed list of engineering estimates of costs of Petitioner's proposed and necessary capital improvement projects.
15. Q. Based on your education, experience, expertise, and familiarity with the Petitioner and its plant, facilities, operations, needs and requirements, do you have an opinion as to the reasonableness and accuracy of the estimates listed by the CG Exhibits?
- A. Yes. My opinion is all of the engineering estimates at this time are both reasonable and accurate.

16. Q. Is there a guarantee those estimates will prove, when the various projects are completed, to be absolutely correct to the penny?

A. No. As with practically any project involving construction, the purchase of materials and equipment, the use of intensive labor, and which is subject to weather conditions, and the like, there is a possibility that any particular project may be finalized at a cost slightly above or below the engineering estimate; however, Petitioner's proposal includes an accounting "true up" to adjust for any unexpected material overrun or other cost increase or decrease. Here again, the Exhibits regarding engineering cost estimates were prepared at my request with my input; however witnesses, Chris Gale and Mike Moler, will more specifically address these matters in their respective testimonies.

17. Q. While we are on engineering estimates, please explain how the timing and cost estimates for significant periodic operational upgrades and maintenance were set?

A: Petitioner has a Management Agreement with American Water Company. Mike Moler, at my request and with my input, along with that of other Petitioner employees, reviewed the timing and cost estimate issues referenced in your question and based on our knowledge, experience, and expertise as well as the recent history of the Petitioner involving periodic maintenance and upgrade requirements for its plant and facilities, witness Moler in my opinion has provided an accurate and reasonable time and cost schedule for such periodic maintenance and

upgrades, which schedule is attached to his pre-filed testimony in this cause.

18. Q. Is one of Witness Moler's exhibits a copy of the recently negotiated new Management Agreement between the City of Evansville and American Water Operations And Maintenance, Inc.?

A. Yes, and I am generally familiar with that contract which takes effect in March, 2007. (The contract is Exhibit MM-1).

19. Q. Did the City engage in negotiations for quite some time and obtain independent expertise in obtaining that new contract?

A. Yes.

21 Q. Based on your familiarity with Petitioner's needs and operations and its experience under the former Management Agreement, do you have an opinion as to whether the new Agreement is reasonable and benefits Petitioner and the public it serves? If so, what is your opinion?

A. Yes. My opinion is that the new Management Agreement is reasonable and appropriate based upon my knowledge and experience of Petitioner's plant, facilities, operations, and needs, and also being mindful that a predecessor company of American Water Operations and Maintenance, Inc. held the previous contract for management of Petitioner's operations and to my knowledge performed well previously and is familiar with Petitioner and its operations. The new contract is quite lengthy so I will not attempt to describe it here;

however, Petitioner will respond to any specific questions concerning the contract that may arise pertaining to this proceeding.

21. Q. Can you provide an overview of Petitioner's request for its planned issuance of bonds pursuant to IURC authority in this proceeding?

A. Yes. Petitioner proposes to issue Waterworks District Revenue Bonds to finance the cost of capital improvement projects, including, without limitation, those listed in my Exhibit HL-1. The total cost is expected to be, using current estimates plus approximately five percent (5%), rounded, to be thirty-nine million two hundred twenty five thousand dollars (\$39,225,000). That estimated cost may be adjusted slightly after construction bids are received and evaluated. More detail is provided by other witnesses for Petitioner, including Gerald Malone of the Umbaugh accounting firm which Petitioner hired to conduct a review of Petitioner's financial and accounting status and to perform other work germane to the implementation of the required and needed projects, including, without limitation, appropriate means to finance them and to obtain requisite rate adjustments pursuant to this proceeding. I and employees of the Petitioner assisted Umbaugh in that endeavor, and Petitioner's books and records were made available to that accounting firm which has had a longstanding professional business relationship with the Petitioner, although Umbaugh was not involved in Petitioner's last rate case which in Petitioner's view did not obtain the desired result sought by Petitioner and that circumstance has contributed to Petitioner's current rates being

insufficient to provide its "revenue requirement" and Petitioner's current rates and the revenue provided therefrom is also deficient in other particulars such as not being sufficient to support financing necessary for the previously discussed capital improvement projects required for Petitioner to continue to provide its public with high quality water provision, sales and service.

22. Q. To the best of your knowledge, are the financial numbers used by Umbaugh taken from the books and records of Petitioner correct?

A. Yes. I supervised and directed Petitioner's in-house accountants in providing our books and records to Umbaugh, as well as providing other specific information to that accounting firm and other witnesses. As Petitioner's Manager, I have custody and control of Petitioner's books and records.

23. Q. Have you read witness Malone's testimony and his attached exhibits?

A. Yes. To the best of my knowledge, the financial and accounting numbers and figures used or calculated by him relative to this proceeding are true and accurate.

24.. Q. Does Petitioner have an ongoing program to replace old meters at considerable cost?

A. Yes. The program was approved by the IURC in a previous rate case. The program provides more efficiency and accuracy in metering by installing electronically read meters which removes human error from the mete reading process and does not require the meter lids to be lifted

or opened. Petitioner expects to complete the replacement of all old meters within the relatively near future. We are also embarking on a project to install meters for industrial customers who are in a "water credit" program relative to their quantity of water usage and outflows which relates to effluent discharge. At present, there is no metering of that by Petitioner which is not good practice, and we believe the installation of meters will be more accurate, reliable and fair to both Petitioner and its involved industrial customers. Petitioner also believes these metering programs have aided it in reducing its "unaccounted for" water percentage which has been improving. The industry standard for "unaccounted for" water is about fifteen per cent (15%), and Petitioner is below that level.

25. Q. Are the Petitioner's water plant and facilities in service and used and useful for the benefit of its customers and the public?

A. Yes it is, and we maintain the plant and facilities in good operating condition, but are concerned with the present "cash" problem detailed by Petitioner.

26. Q. Is the Petitioner's water plant and facilities able to provide reliable and adequate water provision, sales and service to its customers?

A. At present, it is but as stated in and evidenced by the testimonies and exhibits filed in this proceeding by Petitioner, its continued high level in water provision, sales and service to its present and future customers can not be maintained without the relief Petitioner petitions the IURC to grant it in this cause.

27. Q. When did the IURC last grant Petitioner an increase in its rates and charges along with additional financing authority?

A. That occurred in IURC Cause No. 42176 by its Order approved Feb 18, 2004.

28. Q. Has Petitioner's operating expenses increased since that last order in 2004?

A. Yes. Over the three years since that Order, Petitioner's operating expenses greatly increased contributing to Petitioner's present cash flow problem which is clearly evidenced by the fact that Petitioner does not presently have a cash balance sufficient to cover the INDOT projects currently proceeding which requires Petitioner to spend millions of dollars for southwestern Indiana to gain the benefits of better transportation. But for timely relief granted to Petitioner by the IURC, the Petitioner will soon need (during 2007) to engage in short-term borrowing to finance the capital improvement projects as they occur. This problem, in part due to the short-fall in the relief requested in the last rate proceeding, and due to increased operating expenses and more demands and requirements from the EPA, IDEM and INDOT, as well as the continuous need to maintain and upgrade plant, facilities, vehicles, equipment and other utility property, much needed capital improvements have been delayed during the last three years.

29. Q. Is the relief requested by Petitioner in its Petition, including—without limitation---a rate increase and financing authority, required for

Petitioner to obtain necessary increased revenues to keep its plant, facilities and operations in good, high quality condition?

A. Yes. As stated, if the requested relief is not received during the fall of this year, the Petitioner will not have funds available, even with short-term borrowing, to finance and implement the much needed projects discussed previously, some of which are essentially mandated by other authorities that require compliance for southwestern Indiana to achieve benefits not only from the continuing high quality water and sales service historically provided by Petitioner but for other benefits such as improved transportation and a better environment. Additionally, if the requested regulatory relief is not timely granted, then the needed capital improvements will be further delayed, accompanied by a risk that Petitioner's high quality water provision sales and service for the benefit of the public may deteriorate along with Petitioner's financial condition.

30. Q. Please briefly state the manner in which the Petitioner books depreciation?

A. We book depreciation at two percent (2%) on all plant and property in service pursuant to IURC order.

31. Q. Does Petitioner make payment to the City of Evansville in lieu of property taxes?

A. Yes. Petitioner computes that payment in accordance with the IURC formula.

32. Q. Is Petitioner's requested bond issue authorization a reasonable method for financing Petitioner's important and necessary capital improvements?

A. Yes. The bond issue will spread costs of the improvements over several so that both present and future customers can enjoy the benefits while helping pay for them. At the same time, the cost will be spread so as to reduce the amount of the rate increase that would otherwise be required.

33. Q. What amount is Petitioner requesting in additional revenue?

A. Per Umbaugh's calculations in Gary Malone's testimony and exhibits, Petitioner's total annual operating revenues for the twelve months ended 05/31/06—i.e.—the test year was \$13,216,754. The pro forma Phase I (1/1/08) annual operating revenue of Petitioner is \$14,891,065, leaving a revenue shortfall of \$863,238 and requiring a rate increase of 12.1%; for Phase II (1/1/09) Petitioner's pro forma annual operating revenue is \$17,392.764, leaving a shortfall of \$864,437 requiring a rate increase of 16.8%; For Phase III (1/1/10) Petitioner's pro forma annual operating revenue is \$19,062.469, leaving a shortfall of \$868,078 and requiring a rate increase of 9.6%. Petitioner proposes the cumulative phased-in total rate increase be applied "across the board" with the first portion of the phased-in rate increase occurring as of January 1, 2008.

34. Q. What is the overall percentage increase requested in rates?

A. The cumulative total is forty-three point five percent (43.5%) phased in over three (3) years, then continuing thereafter until altered by the IURC pursuant to its rules and regulations and Indiana law.

35. Q. Are you aware the increase requested is less than the amount justified in Umbaugh's Accounting Report?
- A. I am aware that the proposed increases requested are less than the revenue requirements stated in that Report, and I further realize that the shortage in revenues will either not allow the Petitioner to fully fund the depreciation allowance or possibly impact PILT payments to the City; however, this may be necessary given the Petitioner's current financial position described in its evidence.
36. Q. Have you reviewed Umbaugh's exhibits pertaining to and detailing Petitioner's proposed increase in rates and charges, as well as the requested financing authority?
- A. Yes, and they are accurate to the best of my knowledge and belief.
37. Q. Are the test year figures used by Umbaugh accurate?
- A. Yes they are, to the best of my knowledge and belief.
38. Q. Are all of the numbers used by Umbaugh in those matters per the Petitioner's books and records?
- A. Yes they are, to the best of my knowledge and belief.
39. Q. Do you agree with the opinions of Umbaugh and the recommendations stated in Umbaugh's work, including, without limitation, its exhibits, reports and other accounting data?
- A. Yes I do.
40. Q. Have you reviewed the pro forma adjustments proposed in Umbaugh's exhibits, reports and other accounting data?

A. Yes.

41. Q. Are those adjustments fixed, known and measurable, not only for the test year and the cut-off period, but also for the three years over which the projects, rates and financing requested will be phased in?

A. Yes.

42. Q. Did you assist HNTB and the other Petitioner witnesses with their reviews, studies, numbers, and exhibits?

A. Yes.

43. Q. Do you agree with them?

A. Yes.

44. Does this complete your pre-filed direct testimony?

A. Yes, it does.

**2006-2008 Capital Improvements Projects  
Water Treatment Plant and Distribution System  
Evansville, IN**

Project Number	Project Description	Project Costs							Remarks
		Construction	Contingency	Planning	Design	Construction Administration	Property / Equipment Acquisition	TOTAL	
Distribution System Improvements									
1	New elevated storage tank in Killian Pressure Zone	\$1,850,000.0	\$280,000	\$20,000	\$80,000	\$280,000	\$50,000	\$2,600,000	New Project
2	Replace #2 booster pump at Killian Station w/VFD	\$55,000.0	\$8,000		\$13,000			\$76,000	New Project
3	Add VFD for #1 booster pump at Campground Booster	\$22,000.0	\$3,000		\$5,000			\$30,000	New Project
4	Altitude valve and piping modifications at Lincoln Tank.	\$55,000.0	\$8,000		\$13,000			\$76,000	New Project
5	12" main on Mohr Rd - from existing water main to St Joe Ave (3,000')	\$260,000.0	\$40,000		\$40,000	\$20,000		\$360,000	No Action
6	Hydrant Replacement Program	\$48,000.0						\$48,000	No Action
7	Valve Replacement/Installation Program	\$90,000.0						\$90,000	No Action
8	St. George Rd. from Ward Rd to Oak Hill Rd 2,670' of 8"	\$185,000.0	\$28,000					\$210,000	No Action
9	7 <sup>th</sup> Avenue from Shanklin St to Florida St 1,240' of 8"	\$98,000.0	\$15,000					\$110,000	No Action
10	Shanklin St from 7 <sup>th</sup> Ave. to Fulton Ave 1,180' of 8"	\$82,000.0	\$12,000					\$94,000	No Action
11	Vanness Phase III/Hogue/Rosenburg 500' of 12" change services	\$90,000.0	\$14,000					\$100,000	No Action
12	Covert Avenue (Shoshone, Pollack & Fuquay) 9,700' of 12"	\$305,000.0	\$45,000		\$45,000	\$25,000		\$420,000	No Action
13	Morgan Avenue (Hwy 41 to Fares) 3,800' of 12"	\$196,000.0	\$29,000		\$35,000	\$10,000		\$270,000	No Action
14	Oak Hill Road 8,000' of 8"	\$533,000.0	\$80,000					\$610,000	No Action
15	Extend Main to serve the 1800 and 1900 Blk's of S Werner	\$44,000.0	\$6,000					\$50,000	New Project
16	Extend Main to serve Saunders Ave East of Werner and the 1800 Blk of S Craig	\$25,000.0	\$4,000					\$29,000	New Project
17	Replace Main on Helfrich From Broadway to Saunders	\$65,000.0	\$10,000					\$75,000	New Project
18	500 block of Boehne Ave., Replace old 2" main and service change-overs	\$44,000.0	\$6,000					\$50,000	New Project
19	Emergency Generator for Operations Building - Phones, Computer Servers and MP-2, Lights, Heating and A/C	\$65,000.0	\$10,000					\$75,000	New Project
20	Replace Main On Frey Road North of Broadway (2080' of 8")	\$130,000.0	\$20,000					\$150,000	New Project
21	Ruston Lane and Hwy 57, Tie-in Main on Ruston to Main on Hwy 57	\$8,000.0	\$1,000					\$9,000	New Project
22	Stringtown Louisiana to Morgan (1300' of 16")	\$174,000.0	\$26,000		\$30,000	\$10,000		\$240,000	New Project
23	Old State Rd. West of Hwy 41 (Tie-in to 30" main)	\$55,000.0	\$8,000					\$63,000	New Project
24	Schaller Ln. (Approx. 800' of 6")	\$55,000.0	\$8,000					\$63,000	New Project
25	Veterans Memorial water main replacement	\$1,520,000.0	\$230,000		\$150,000	\$150,000	\$50,000	\$2,100,000	No Action
26	Water main improvements associated w/ INDOT road proj.	\$2,180,000.0	\$320,000		\$250,000	\$150,000	\$100,000	\$3,000,000	Utility current avgs. Approx 1M/yr
27	Meter Reading Equipment						\$100,000	\$100,000	New initiatives
28	Industrial Meter Replacement						\$200,000	\$200,000	New initiatives
Distribution System Total								\$11,300,000	

2006-2008 Capital Improvements Projects  
Water Treatment Plant and Distribution System  
Evansville, IN

Project Number	Project Description	Project Costs						TOTAL	Remarks
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10	Shanklin St from 7th Ave. to Fulton Ave 1,180' of 8"	\$82,000.0	\$12,000					\$94,000	No Action
11	Vanness Phase III/Hogue/Rosenburg 500' of 12" change services	\$90,000.0	\$14,000					\$100,000	No Action
12	Covert Avenue (Shoshone, Pollack & Fuquay) 9,700' of 12"	\$305,000.0	\$45,000		\$45,000	\$25,000		\$420,000	No Action
13	Morgan Avenue (Hwy 41 to Fares) 3,800' of 12"	\$198,000.0	\$29,000		\$35,000	\$10,000		\$270,000	No Action
14	Oak Hill Road 8,000' of 8"	\$533,000.0	\$80,000					\$610,000	No Action
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16	Extend Main to serve Saunders Ave East of Werner and the 1800 Blk of S Craig	\$25,000.0	\$4,000					\$29,000	New Project
17	Replace Main on Helfrich From Broadway to Saunders	\$65,000.0	\$10,000					\$75,000	New Project
18	500 block of Boehne Ave., Replace old 2" main and service change-overs	\$44,000.0	\$6,000					\$50,000	New Project
19	Emergency Generator for Operations Building - Phones, Computer Servers and MP-2, Lights, Heating and A/C	\$65,000.0	\$10,000					\$75,000	New Project
20	Replace Main On Frey Road North of Broadway (2080' of 8")	\$130,000.0	\$20,000					\$150,000	New Project
21	Ruston Lane and Hwy 57, Tie-in Main on Ruston to Main on Hwy 57	\$8,000.0	\$1,000					\$9,000	New Project
22	Stringtown Louisiana to Morgan (1300' of 16")	\$174,000.0	\$26,000		\$30,000	\$10,000		\$240,000	New Project
23	Old State Rd. West of Hwy 41 (Tie-in to 30" main)	\$55,000.0	\$8,000					\$63,000	New Project
24	Schaller Ln. (Approx. 800' of 6")	\$55,000.0	\$8,000					\$63,000	New Project
25	Veterans Memorial water main replacement	\$1,520,000.0	\$230,000		\$150,000	\$150,000	\$50,000	\$2,100,000	No Action
26	Water main improvements associated w/ INDOT road proj.	\$2,180,000.0	\$320,000		\$250,000	\$150,000	\$100,000	\$3,000,000	Utility current avgs. Approx 1M/yr
27	Meter Reading Equipment						\$100,000	\$100,000	New Initiatives
28	Industrial Meter Replacement						\$200,000	\$200,000	New Initiatives
Distribution System Total								\$11,300,000	

**2006-2008 Capital Improvements Projects  
Water Treatment Plant and Distribution System  
Evansville, IN**

Project Number	Project Description	Project Costs						Remarks
		Construction	Contingency	Planning / Study	Design	Construction Administration	TOTAL	
Water Treatment Plant Improvements								
1	Perform CT and flow pattern analysis for the entire plant			\$50,000			\$50,000	Determine where water is going between N. & S. Plants
2	Re-route South Plant filtered water main to 1.5 MG clearwell	\$185,000	\$28,000			\$43,000	\$260,000	Ensure flow path of S. Plant finished water
3	Replace three existing V-800 chlorinators with four (4) new V-2000 chlorinators	\$75,000					\$75,000	Finish refurbishment of chlorine feed system
4	Add two backwash water flow meters	\$43,000	\$7,000		\$10,000		\$60,000	Increase reliability of filter backwash flow metering
5	Individual filter effluent flow meters filters 13-20	\$57,000	\$9,000		\$13,000		\$80,000	Increase reliability of filter effluent flow metering
6	Add SCADA to ammonia, sodium chlorite, chlorine dioxide, and chlorine feed	\$142,000	\$21,000		\$23,000	\$10,000	\$200,000	Finish chemical feed SCADA installation
7	Renovate Traveling Screen #2	\$76,000	\$12,000		\$13,000	\$5,000	\$110,000	Update raw water screening
8	Replace 4160-volt motor starters on LS Pumps #1-#6. Replace magnetic drive on LS Pump #1 with a VFD and add a control unit.	\$650,000	\$100,000		\$75,000	\$75,000	\$900,000	Update low service pumping electrical
9	Replace 4160-volt motor starters on HS Pumps #8-#10. Replace magnetic drive on HS Pump #9 with a VFD and add a control unit.	\$435,000	\$65,000		\$50,000	\$50,000	\$600,000	Update high service pumping electrical
10	Conduct inventory and replace 220-volt and 480-volt (as needed) circuit breakers throughout the plant.	\$185,000	\$28,000	\$20,000	\$23,000		\$260,000	Increase reliability of electrical service
11	Paint low service building on the interior and exterior	\$76,000	\$12,000		\$12,000	\$6,000	\$110,000	Update coating of low service building
12	Evaluate chlorite/chlorate formation in sed. basins due to chlorine dioxide (ClO <sub>2</sub> ) feed in the raw water (during summer)			\$75,000			\$75,000	Determine whether or not chlorite formation is an issue with raw water ClO <sub>2</sub> feed
13	Evaluate alternative inactivation technologies (UV, Ozone, & membranes) for Crypto inactivation/removal if needed to meet LT2 requirements			\$200,000			\$200,000	Needed if Crypto conc. is greater than 0.075 oocysts/L (Bin 1 limit)
14	Recondition North Plant flocculation tanks (baffles, mixers & sluice gates) and primary sedimentation basin sludge scrapers	\$1,090,000	\$160,000		\$120,000	\$130,000	\$1,500,000	Update North Plant flocculation and primary sedimentation
15	Add 3rd set of South Plant Primary and Secondary Basins	\$4,350,000	\$650,000		\$500,000	\$500,000	\$6,000,000	Increase flow capacity of South Plant & assist with flow balancing between N. & S. Plants
16	Complete Phase III of lead paint abatement program in Filter Building	\$185,000	\$28,000	\$5,000	\$25,000	\$13,000	\$260,000	Re-coat lead based painted walls
17	In-depth plant life span/alternate plant feasibility study (collector wells, new surface water plant, etc.)			\$300,000			\$300,000	Determine options for replacing or refurbishing existing plant
18	Add Filters 35 and 36 (6 MGD conventional media filters)	\$2,600,000	\$400,000		\$300,000	\$300,000	\$3,600,000	Increase firm filtration capacity to 60 MGD
19	Install dechloramination facilities for backwash and filter-to-waste wastewaters to Ohio River (preliminary design)				\$110,000		\$110,000	No Action - Action to occur when required by NPDES
20	Install residuals collection and pumping facility for filter backwash waste & sedimentation processes to WWTP (preliminary design)				\$110,000		\$110,000	No Action - Action to occur when required by NPDES
Water Treatment Plant Total							\$15,000,000	

2006-2008 Capital Improvements Projects  
Water Treatment Plant and Distribution System  
Evansville, IN

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6	Add SCADA to ammonia, sodium chlorite, chlorine dioxide, and chlorine feed	\$142,000	\$21,000		\$23,000	\$10,000	\$200,000	Finish chemical feed SCADA installation
7	Renovate Traveling Screen #2	\$78,000	\$12,000		\$13,000	\$5,000	\$110,000	Update raw water screening
8	Replace 4160-volt motor starters on LS Pumps #1-#6. Replace magnetic drive on LS Pump #1 with a VFD and add a control unit.	\$650,000	\$100,000		\$75,000	\$75,000	\$900,000	Update low service pumping electrical
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Water Treatment Plant Total							\$15,000,000	

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF THE CITY OF )  
EVANSVILLE, INDIANA, BY ITS WATER )  
AND SEWER UTILITY BOARD, FOR )  
AUTHORITY TO ISSUE BONDS, NOTES, )  
OR OTHER OBLIGATIONS, FOR )  
AUTHORITY TO INCREASE ITS RATES )  
AND CHARGES FOR WATER SERVICE, )  
AND FOR APPROVAL OF NEW )  
SCHEDULES OF WATER RATES, )  
CHARGES, AND RULES AND ) CAUSE NO. \_\_\_\_\_  
REGULATIONS FOR WATER SERVICE, )  
AND FOR APPROVAL OF ACCOUNTING )  
AND RATEMAKING TREATMENT FOR )  
WATER SERVICE TO REFLECT THE )  
IMPACT OF REASONABLY FIXED, )  
KNOWN AND MEASUREABLE CAPITAL )  
REQUIREMENTS OVER THE NEXT )  
THREE CALENDAR YEARS. )

FILED

DEC 11 2006

INDIANA UTILITY  
REGULATORY COMMISSION

43190

**VERIFIED PETITION**

Petitioner, City of Evansville, Indiana, by and through its Water and Sewer Utility Board ("Petitioner"), respectfully petitions the Indiana Utility Regulatory Commission ("Commission") for approval and authorization of an increase in Petitioner's rates and charges for water service, and for all other relief set forth in the above caption. In support of its Petition, the Petitioner states:

1. Petitioner is a public utility that owns and operates a municipal water works and related facilities providing water sales and service to customers in and near the City of Evansville, Indiana. Petitioner also sells water at wholesale to certain other water utilities. Petitioner's principal office is located at 104 Civic Center Complex,

1 N.W. Martin Luther King, Jr. Blvd., Evansville, Indiana 47708, and engages in its business solely within Indiana and is subject to the jurisdiction of this Commission to the extent provided by the Public Service Commission Act, as amended, and other laws of the state of Indiana.

2. Petitioner, by its Department of Waterworks, operates, manages, and controls plants, property, pipelines, equipment, and facilities which are used and useful in the obtainment, treatment, distribution, and sale of water and provision of water service to residential, commercial, industrial, and other consumers in the southwestern portion of Indiana. Petitioner's water utility properties are used and useful in its public service and operated efficiently and maintained so as to provide adequate, dependable, and efficient water sales and service to its customers.

3. Petitioner has experienced increased cost and expense, as well as increased demand, for its water utility services since its last rate increase approved by the Commission on February 18, 2004, in Cause Number 42176, which increase was less than the City sought at that time. Due to the increased demand, projected continuing increased demand, and substantial additional costs and expenses, including, but not limited to, continuing and new environmental requirements, in order to continue to provide adequate, reliable service to its customers, the Petitioner has enlarged and extended its water volume, treatment, and distribution facilities so that Petitioner's revenues provided by its current rates are inadequate to meet the additional carrying cost and expense of its present and expanded or additional plant and facilities as well as the costs and expenses to meet or exceed environmental and other legal and customer service requirements over the three (3) calendar years - i.e., 2008, 2009, and

2010 - following approval of a new schedule of rates, charges, and rules and regulations.

4. Petitioner must continue to make necessary additions, extensions, replacements, and improvements to its waterworks system. Petitioner proposes to obtain the necessary funds for these from revenues and from the issuance of new waterworks revenue bonds. The principal and interest of the new waterworks revenue bonds will be payable solely from future revenues of the Petitioner's waterworks.

5. With Petitioner's necessary additions, extensions, replacements, and improvements and after the issuance of the proposed revenue bonds, the existing rates and charges for water service rendered by Petitioner will not produce sufficient revenue to pay all the legal and other necessary expenses incident to the operation of the utility, including maintenance costs, operating charges, upkeep, repairs, depreciation, and interest charges on bonds or other obligations, including leases; provide a sinking fund for the liquidation of bonds or other evidence of indebtedness, including leases; provide a debt service reserve for bonds or other obligations, including leases; provide adequate money for working capital; provide adequate money for making extensions and replacements to the extent not provided for through depreciation; provide money for the payment of any taxes that may be assessed against the utility or payments in lieu of taxes, and provide a reasonable return on the utility plant. The existing rates and charges are therefore insufficient, confiscatory, and unlawful.

6. It is necessary to increase the present rates and charges in order to provide sufficient funds to meet the financial requirements of Petitioner's waterworks and maintain the utility property in a sound physical and financial condition, and to meet

all environmental and other water services requirements to enable Petitioner to continue rendering adequate and efficient utility service.

7. Petitioner's Board of Directors of the Department of Waterworks acts as the City's legislative body for purposes of rate and bond ordinances pursuant to Ind. Code §§ 8-1.5-5-1.5. The Board has approved the rate increase and bond issue for which approval is sought.

8. The extensions, replacements, and improvements, for which authority to issue the bonds, notes, or other obligations is sought, are reasonably necessary for Petitioner to provide adequate and efficient utility service. The revenue bonds which Petitioner seeks authority to issue are a reasonable method for financing such extensions, replacements, and improvements. The new schedule of rates and charges will represent rates and charges which are lawful, nondiscriminatory, necessary, reasonable, and just. Therefore, the issuance of the proposed revenue bonds and the establishment of the new schedule of rates and charges should be approved by the Commission.

9. Petitioner proposes the phase-in of its required rate increase over the next three (3) years - i.e., 2008, 2009 and 2010 - with a 12.1% increase during the first year (2008), an additional 16.8% increase commencing immediately following the initial twelve (12) month period (2009), and an additional 9.6% rate increase following the first twenty-four (24) month period (2010), which thus provides a 38.5% rate increase which, with other inherent costs, including, without limitation, carrying costs, will cumulatively be 43.5%, which rate will continue until changed by this Commission in accordance with its rules, regulations, and Indiana law.

10. Petitioner considers the test year to be used for determining Petitioner's actual and pro forma operating revenues, expenses, and revenue requirement under present and proposed rates is the twelve (12) months ended May 31, 2006, and believes the financial and accounting data, when properly adjusted pursuant to Petitioner's evidence, including, but not limited to, the substantial additional capital requirements Petitioner must meet and finance over the three (3) calendar years succeeding 2007, fairly present the annual operation of Petitioner. Therefore, such test year, as adjusted, is a proper basis for fixing the requested new rates for Petitioner and testing the effect of those rates over the involved time frame.

11. Petitioner considers Ind. Code §§ 8-1-2-42, 8-1.5-2-19 and 8-1.5-3-8, among others, applicable to the subject matter of this proceeding.

12. The attorney authorized to represent Petitioner in this proceeding who is authorized to accept service of papers in the proceeding on behalf of Petitioner is:

George A. Porch  
Attorney No. 5791-82  
Bowers Harrison, LLP  
25 N.W. Riverside Drive  
Evansville, Indiana 47708  
Telephone: (812) 426-1231  
Fax: (812) 464-3676  
E-mail: gap@bowersharrison.com

13. A copy of the Petition has been served on the Office of Utility Consumer Counselor ("OUCC") at the time of filing of this Petition. Further information requested by the Commission staff or the OUCC will be provided by Petitioner upon request or as part of Petitioner's evidence herein.

14. Pursuant to 170 IAC 1-1.1-15, Petitioner requests that a date be promptly fixed for a preliminary hearing in this proceeding.

WHEREFORE, Petitioner respectfully prays the Commission promptly conduct a pre-hearing conference, take such further action as it deems appropriate, and thereafter issue a final order approving the issuance of bonds, notes, or other obligations, authorizing an increase in Petitioner's rates and charges for water service as requested by Petitioner, and approving the establishment of new schedules of water rates and charges applicable thereto, with such schedules to properly reflect and establish the proposed rate increase phase-in. Petitioner also respectfully prays the Commission make such other and further orders in the premises as the Commission may deem appropriate and proper.

Dated this 6<sup>th</sup> day of December, 2006.

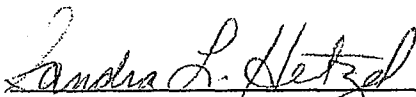
"PETITIONER"

CITY OF EVANSVILLE  
WATER AND SEWER UTILITY

By: 

Harry Lawson, General Manager

ATTEST:



Sandra Hetzel, Executive Secretary

BOWERS HARRISON, LLP

By: 

George A. Porch  
Attorney No. 5791-82  
25 N.W. Riverside Drive  
Evansville, Indiana 47708  
Telephone: (812) 426-1231  
Fax: (812) 464-3676

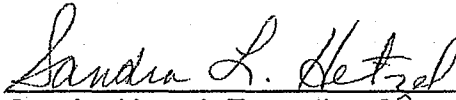
Attorneys for Petitioner

STATE OF INDIANA                     )  
  )  
COUNTY OF VANDERBURGH        )       SS:

Harry Lawson, the General Manager of Petitioner duly authorized to act herein by the Resolution of the Utility Board; and Sandra Hetzel, the Executive Secretary of the Utility Board, being first duly sworn upon their respective oaths, depose and say that they have read and subscribed to the foregoing Petition and have authority so to do, and that the statements contained therein are true and correct to the best of their knowledge, information, and belief.

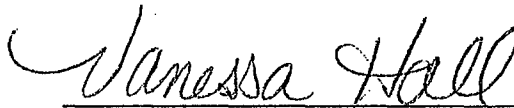


Harry Lawson, General Manager



Sandra Hetzel, Executive Secretary

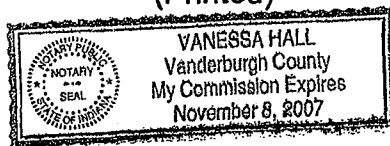
SUBSCRIBED and sworn to before me, a Notary Public in and for said County and State, this 16<sup>th</sup> day of December, 2006.



Notary Public



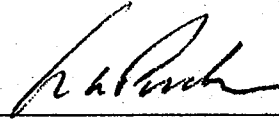
(Printed)



My Commission Expires: \_\_\_\_\_

**CERTIFICATE OF SERVICE**

The undersigned counsel certifies that a copy of this Petition has been served by hand-delivery on the Indiana Office of the Utility Consumer Counselor this 11 day of December, 2006.

A handwritten signature in black ink, appearing to read "G. A. Porch", written over a horizontal line.

George A. Porch, Attorney No. 5791-82

January 9, 2007, 2006

RESOLUTION 2006-02

RESOLUTION OF THE EVANSVILLE WATER & SEWER  
UTILITY BOARD CONCERNING WATER RATES AND CHARGES

WHEREAS, it being reported during the meeting that the management of the Utility has made, and caused to be made, a careful study and review of the City Utility Board's water rates and charges, together with the overall current and reasonably foreseeable financial affairs, needs and requirements over the next three to four years, which study and review was directly conducted by the Board's contracted independent expert consultants, along with the Board's management and employees, all of which concurred that the study and review establishes the need for an increase in water rates. Accordingly, the management and consultant/employee team recommended a general increase in basic water rates and charges be sought through legal process with the Indiana Utility Regulatory Commission. A draft of a proposed Petition to start that process was provided and reviewed by the Board; and

WHEREAS, after full review, discussion and due consideration of the aforesaid matter presented, reported, and recommended, upon motion duly made and seconded, the following resolutions were adopted:

RESOLVED: The management of this Board and the Utility we oversee as its executives, be and they are hereby authorized and directed to prepare and file with the Indiana Utility Regulatory Commission a Petition requesting the approval of new tariffs and schedules of rates and charges for water service of the Evansville Water & Sewer Utility Board to water customers that will provide higher rates and charges, along with appropriate rules and regulations therefor as appropriate, and that Petition shall also seek all other appropriate relief; and the draft form of the Petition reviewed by the Board is approved subject to revisions that this Board's management and legal counsel may choose to make in their discretion to accomplish the necessary rate relief; and

RESOLVED FURTHER: The management of this Board and the Utility we oversee, along with our legal counsel, be and they are hereby authorized to do all such acts and things, execute and deliver all needed or desired documents, and to incur and pay all costs and expenses as may be necessary in order to fully effectuate the purpose and intent of these resolutions; and all of the acts and doings of the management and legal counsel consistent with the purpose and

intent of these resolutions shall be, and the same are hereby in all respects, ratified, approved and confirmed by the Board.

ADOPTED by the Evansville Water & Sewer Utility Board at its duly convened and constituted meeting of November 14, 2006, by a vote of 3 Ayes and 1 Nays.

EVANSVILLE WATER &  
SEWER UTILITY BOARD

Stephen J. Fitzer  
President

ATTEST: Tim Myler  
Vice President

I, Sandra L. Hetzel, Executive Secretary of the Evansville, Indiana Water and Sewer Utility Board, hereby certify the foregoing is a true and correct copy of the Resolutions duly and regularly adopted and passed by the Board at the meeting of the Board of Directors duly called, noticed, and held at the office of the Evansville, Indiana Water and Utility Board in Evansville, Vanderburgh County, Indiana on November 14, 2006, at which a quorum was in attendance and voting throughout, and that said Resolutions have not since been rescinded and are still in force and effect.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 9<sup>th</sup> day of January, 2007.

Sandra L. Hetzel  
Sandra L. Hetzel, Executive Secretary

# PROOF OF PUBLICATION OF LEGAL ADVERTISEMENT

ACCT: XE42

## STATE OF INDIANA VANDERBURGH COUNTY

PETITION OF THE EVANSVILLE WATER & SEWER UTILITY BOARD  
FOR AUTHORITY TO INCREASE ITS RATES AND CHARGES FOR  
WATER SERVICE, FOR APPROVAL OF NEW SCHEDULES OF  
RATES, RULES AND REGULATIONS FOR WATER SERVICE, AND  
FOR APPROVAL OF ACCOUNTING AND RATEMAKING  
TREATMENT FOR WATER SERVICE TO REFLECT THE IMPACT  
OF REASONABLY FIXED, KNOWN AND MEASURABLE CAPITAL  
REQUIREMENTS OVER THE NEXT THREE (3)  
CALENDAR YEARS FOLLOWING IURC APPROVAL

IURC CAUSE NO. 43190

Notice is hereby given that on the 11th day of December, 2006, the  
Evansville Water & Sewer Utility Board ("Petitioner"), an Indiana municip-  
ally owned utility, filed its Petition with the Indiana Utility Regulatory  
Commission in the above-captioned cause, for authority to increase its  
basic water rates and charges for water service for its customers in  
the state of Indiana, to reflect the impact of increased operations, costs  
and expenses and the impact of required capital expenditures reason-  
ably fixed, known and measurable over the next three (3) calendar  
years, and to provide sufficient overall rates and charges for Petitioner  
based upon its going level of water retail and wholesale operations,  
and for approval of new schedules for such rates and new rules and  
regulations therefor. The Petition requests a test year of twelve (12)  
months ending May 31, 2006, as adjusted by the going level account-  
ing method for fixed, known and measurable changes and adjusted for  
required capital expenditures over the next three (3) calendar years fol-  
lowing IURC approval. The Petition affects the service and rates of  
retail and wholesale water customers of Petitioner who also seeks  
other relief requested in the Petition. Any rate increase is proposed to  
be phased in over three (3) years, and the accumulative increase is  
requested to be approximately 43.5% across all customer classes.

Dated at Evansville, Indiana this 12th day of December, 2006.

EVANSVILLE WATER & SEWER UTILITY BOARD  
(Courier & Press December 19 & 26, 2006 & January 2, 2007)

Kylie Howard who being sworn, says she is Legal Accounting Clerk  
of the Evansville Courier Company, publisher of The Evansville Courier

a daily newspaper published in the city of Evansville, in said  
county and state and that the legal advertisement, of which the attached  
is a true copy, was printed in its issues of:

12/19/06, 12/26/06, 1/2/07

Signed

*Kylie Howard*

Date:

1/10/07

Subscribed and sworn to before me this date:

Date:

1-17-07

*Phyllis B. Atwood*  
Notary Public  
Resident of Vanderburgh County

Notary Public

My Commission expires: 9/24/2010

90 Lines @ 0.373

3 Time(s) = \$ 100.71

# DATA FOR COMPUTING CLAIM

Width of single column ems 8 ems  
Number of insertions 3

Size of type 8 point  
Size of quad upon which type is cast 9

Pursuant to the provisions and penalties of Chapter 155, Acts 1953, I hereby certify that the foregoing account is just and correct, that the amount claimed is legally due, after allowing all just credits, and that no part of the same has been paid.

*Frank Heuring*

Date January 2, 2007

Publisher

## PUBLISHER'S AFFADAVIT

State of Indiana, ss:

Gibson County

Personally appeared before me, a notary public in and for said county and state, the undersigned **Frank Heuring** who, being duly sworn, says that he is **Publisher of South Gibson Star-Times a Weekly** newspaper of general circulation printed and published in the English language in the **Town of Ft. Branch** in state and county aforesaid, and that the printed matter attached hereto is a true copy, which was duly published in said paper for 3 time(s), the dates of publication being as follows: **December 19, 26, 2006 and January 2, 2007.**

*Frank Heuring*

Subscribed and sworn to before me this 2nd day of January, 2007.

*Sara Ann Bachman*

Sara Ann Bachman, resident Daviess County, Indiana  
Notary Public

My commission expires September 16, 2009.

## PUBLIC NOTICE

Petition of the Evansville Water & Sewer Utility Board for authority to increase its rates and charges for water service, for approval of new schedules of rates, rules and regulations for water service, and for approval of accounting and ratemaking treatment for water service to reflect the impact of reasonably fixed, known and measurable capital requirements over the next three (3) calendar years following IURC approval IURC cause no. 43190

Notice is hereby given that on the 11th day of December, 2006, the Evansville Water & Sewer Utility Board ("Petitioner"), an Indiana municipally owned utility, filed its Petition with the Indiana Utility Regulatory Commission in the above-captioned cause, for authority to increase its basic water rates and charges for water service for its customers in the state of Indiana, to reflect the impact of increased operations, costs and expenses and the impact of required capital expenditures reasonably fixed, known and measurable over the next three (3) calendar years, and to provide sufficient overall rates and charges for Petitioner based upon its going level of water retail and wholesale operations, and for approval of new schedules for such rates and new rules and regulations therefor. The Petition requests a test year of twelve (12) months ending May 31, 2006, as adjusted by the going level accounting method for fixed, known and measurable changes and adjusted for required capital expenditures over the next three (3) calendar years following IURC approval. The Petition affects the service and rates of retail and wholesale water customers of Petitioner who also seeks other relief requested in the Petition. Any rate increase is proposed to be phased in over three (3) years, and the accumulative increase is requested to be approximately 43.5% across all customer classes.

Dated at Evansville, Indiana this 12th day of December, 2006.

EVANSVILLE WATER &  
SEWER UTILITY BOARD

December 19, 26, 2006, January 2, 2007)

**IMPORTANT NOTICE TO ALL  
EVANSVILLE WATER SERVICE CUSTOMERS**

**Proposed Change in Water Rates for all Customers**

On December 11, 2006, the City of Evansville, by its Water & Sewer Utility Board, filed a Petition with the Indiana Utility Regulatory Commission ("IURC"), Cause No. 43190, seeking an increase in its rates and charges for water service.

The rate increase to customers is required due to increased operational costs and expenses as well as needed, and in some instances mandated, repairs, alterations, and additions to the City's water system, including, but not limited to:

Water treatment plant improvements such as: Reconditioning north plant flocculation tanks and primary sedimentation sludge scrapers, add primary and secondary basins to south plant and additional media filters.

Distribution system improvements such as: New elevated storage tank, Veterans Memorial water main replacement and water main improvements associated with INDOT road project.

The requested rate increase is proposed to occur over three (3) years upon approval of the Indiana Utility Regulatory Commission and will provide an approximate 12% rate increase during the first calendar year after approval, an approximate additional 17% rate increase beginning with the start of the second calendar year after approval, and an approximate 10% additional rate increase beginning with the start of the third calendar year after Commission approval. Therefore, if the proposal is totally approved by the IURC, the annual water bill for all customers would increase over the three (3) years after IURC approval with those rates then continuing until the Evansville Water & Sewer Utility rates for water service may thereafter be adjusted by the IURC. The following chart compares various customer monthly usage levels between the present rates and the proposed rates.

The proposed rate increases are as follows:

Phase I:	12.1%
Phase II:	16.8%
Phase III:	9.6%
Total aggregate increase:	43.5%

Monthly water bills at various usages  
(assumes 5/8" meter and does not include fire protection charge):

<u>Monthly usage</u>	<u>Present rate</u>	<u>Year 1 rate</u>	<u>\$ Increase</u>
2,500	\$ 6.15	\$ 6.90	\$0.75
5,000	10.05	11.27	1.22
10,000	17.85	20.02	2.17
<u>Year 2 Rate</u>	<u>\$ Increase</u>	<u>Year 3 Rate</u>	<u>\$ Increase</u>
\$ 8.04	\$ 1.14	\$ 8.82	\$0.78
13.14	1.87	14.42	1.28
23.34	3.32	25.62	2.28

The IURC will review the Evansville filing and hold a public hearing before it makes a decision. This process will take several months to a year before any increase is approved.

**RESOLUTION NO. 2007-02**

**A PRELIMINARY BOND RESOLUTION OF THE CITY OF  
EVANSVILLE DEPARTMENT OF WATERWORKS AUTHORIZING  
THE ISSUANCE OF SPECIAL TAXING DISTRICT BONDS OF THE  
WATERWORKS DISTRICT OF THE CITY OF EVANSVILLE, INDIANA,  
FOR THE PURPOSE OF PROCURING FUNDS FOR WATER TREATMENT PLANT  
IMPROVEMENTS, DISTRIBUTION SYSTEM IMPROVEMENTS AND VARIOUS  
OTHER WATERWORKS IMPROVEMENTS,  
AND CERTAIN RELATED MATTERS**

WHEREAS, the Board of Directors of the City of Evansville Department of Waterworks (the "Board"), the governing body of the Waterworks District of the City of Evansville, Indiana (the "District"), exists and operates under the provisions of Indiana Code 8-1.5-4, as amended from time to time (the "Act"); and

WHEREAS, the Board finds that in order to provide funds for the payment of the costs of water treatment plant improvements, distribution system improvements and various other waterworks improvements, (the "Project"), it will be necessary and in the best interest of the District, and the property and inhabitants thereof, to issue bonds of the District in an aggregate principal amount not to exceed Thirty-Six Million Dollars (\$36,000,000), which shall be payable solely from the net revenues (the "Net Revenues") of the District's waterworks (the "Waterworks"), or, to the extent that the Net Revenues are insufficient for such purpose, from a special tax to be levied upon all of the taxable property located within the District (the "Special Tax");

WHEREAS, certain preliminary expenditures related to the Project (as hereinafter defined) have been or will be incurred by or on behalf of the District prior to the issuance and delivery of such bonds; and

WHEREAS, the Board desires to express its intention to reimburse such expenditures as have been or may be incurred prior to the issuance of such bonds, pursuant to Indiana Code 5-1-14-6 and in compliance with Section 1.150-2 of the U.S. Treasury Regulations promulgated by the Internal Revenue Service (the "Treasury Regulations"); and

WHEREAS, it is necessary to obtain the approval of the Indiana Department of Local Government Finance prior to the issuance of such bonds;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Department of Waterworks of the City of Evansville as follows:

1. The District shall proceed to undertake the Project. For the purpose of procuring funds to pay for the cost of the Project, the City, acting for and on behalf of the District, shall make a loan in an amount not to exceed Thirty-Six Million Dollars (\$36,000,000).

In order to procure funds for said loan, the Controller of the City is hereby authorized and directed to have prepared and to issue and sell the special taxing district bonds of the District, in

one or more series or issues, the principal of and interest on which are payable solely from the Net Revenues or, to the extent that the Tax Increment is insufficient for such purpose, from the Special Tax, which bonds shall be issued in the name of the City, for and on behalf of the District, in an aggregate principal amount not to exceed Thirty-Six Million Dollars (\$36,000,000) (the "Bonds"), with a discount not to exceed the discount set forth in or determined by the Final Bond Resolution to be adopted by the Board, and which amount (together with any investment earnings thereon, if any) does not exceed the cost of the Project, which estimated cost shall not exceed Thirty-Six Million Dollars (\$36,000,000), plus investment earnings thereon, if any, which will be provided from proceeds of the Bonds, plus any investment earnings thereon.

The Bonds shall not constitute a corporate obligation or indebtedness of the City but shall constitute an obligation of the District. The Bonds, together with interest thereon, shall be payable solely from the Net Revenues or, to the extent that the Net Revenues are insufficient for such purpose, from the Special Tax.

The Bonds shall mature and be payable no later than January 1, 2032, and shall bear interest as set forth in the Final Bond Resolution to be adopted by the Board. The Bonds may be subject to redemption prior to maturity in whole or in part in accordance with the terms set forth in the Final Bond Resolution to be adopted by the Board.

In anticipation of the issuance of the Bonds, the Board hereby authorizes the proper officers of the District to issue bond anticipation notes ("BANs") in anticipation of the issuance of the Bonds, subject to the provisions of the Final Bond Resolution to be adopted by the Board.

2. The Board hereby authorizes the publication in accordance with Indiana law of (a) a notice of the decision of the District to issue Bonds in excess of Five Thousand Dollars (\$5,000), as required by the provisions of Indiana Code 6-1.1-20-5, and (b) a notice of public hearing regarding the proposed additional appropriation of the proceeds of the Bonds and the BANs, if any.

3. The Board hereby declares that, for the purpose of evidencing compliance with Indiana Code 5-1-14-6 and Section 1.150-2 of the Treasury Regulations, it reasonably expects to reimburse with the proceeds of the Bonds (in an amount not to exceed and payable from the sources set forth above) expenditures for the Project made by or on behalf of the District prior to the issuance of the Bonds during the period beginning on the date sixty (60) days prior to the date of this Resolution until the date of issuance of the Bonds, which expenditures are expected to be paid initially from other legally available funds of the District.

4. The Board hereby authorizes, approves and ratifies all actions to be taken to secure the approval of the Bonds by the Indiana Department of Local Government Finance.

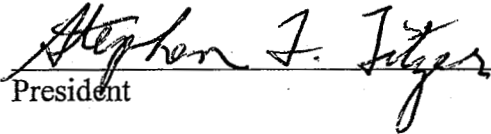
5. The President and the Vice President of the Board shall certify a copy of this Resolution to the Controller of the City.

6. This Resolution shall be in full force and effect after its adoption by the Board.

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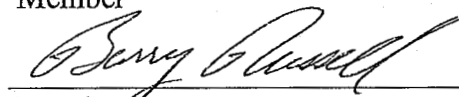
ADOPTED AND APPROVED at a meeting of the Board of Directors of the Waterworks Department of the City of Evansville, Indiana, held on the 23<sup>rd</sup> day of January, 2007.

BOARD OF DIRECTORS OF THE  
WATERWORKS DEPARTMENT OF THE  
CITY OF EVANSVILLE, INDIANA


  
\_\_\_\_\_  
President

  
\_\_\_\_\_  
Vice President

  
\_\_\_\_\_  
Member

\_\_\_\_\_  
Member  
  
\_\_\_\_\_  
Member

ATTEST:

  
\_\_\_\_\_, General Manager